

Message Text

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ACTION AF-06

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SUBJ: PRESENT STATUS OF EXPROPRIATED US FIRMS IN ETHIOPIA

REF: STATE 208382

1. EMB ADDIS HAS JUST COMPLETED SURVEY OF NATIONALIZED US FIRMS IN ETHIOPIA WHICH IS BEING SUBMITTED AS AIRGRAM A-158 BEING POUCHED SEPT 5. THIS TEL SUMMARIZES THAT PART OF AIRGRAM WHICH RESPONDS TO REFTEL.

2. EMB HAS CONTACTED SIX AMERICAN FIRMS NATIONALIZED UNDER THREE ETHIOPIAN GOVT DECREES. ETHIOPIA-AMERICAN LIFE INSURANCE CO WAS 100 PCT NATIONALIZED ON JAN 1, 1975. MOBIL OIL, ETHIOPIAN SPICE EXTRACTION CO, ETHIOPIA CROWN CORK CO, AND ETHIOPIAN LIVESTOCK DEVELOPMENT CORP. (ELIDCO) WERE INCLUDED IN FEB 3 DECLARATION OF FIRMS COMING UNDER EPMG "MAJORITY CONTROL". FINALLY, AXUM AIR SERVICES WAS 100 PCT NATIONALIZED ON MAY 16.

3. IN RESPONSE TO OUR INQUIRIES, LOCAL MANAGERS OF FOUR FIRMS (MOBIL, CROWN CORK, ELIDCO, AND ETHIOPIAN-AMERICAN LIFE) INDICATED THAT THERE HAS BEEN LITTLE OR NO INTERFERENCE IN

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MANAGEMENT OF FIRMS. EPMG HAS NAMED MAJORITY CONTROL ON BOARD

OF DIRECTORS OF EACH FIRM BUT HAS NOT ATTEMPTED TO INTERVENE IN MANAGEMENT DECISIONS. MANAGERS HAVE BEEN TOLD TO RUN COMPANIES AS THEY HAD DONE PRIOR TO NATIONALIZATION BUT NOT TO UNDERTAKE ANY MAJOR PROJECTS OR ACTIVITIES. TO OUR KNOWLEDGE, THE SPECIFIC MATTER OF PROFIT REMITTANCES HAS NOT COME UP. THIS PROBABLY WOULD BE A PROBLEM AT THE PRESENT TIME DUE TO STRICT CURRENCY CONTROL ON ALL FIRMS, NATIONALIZED OR OTHERS. IN ALL OTHER MATTERS, THE US FIRMS' MANAGERS REPORT NO INTERFERENCE.

4. ETHIOPIAN SPICE EXTRACTION CO LOCAL MANAGERS WAS IN US ALONG WITH EPMG OFFICIAL FOR DISCUSSIONS WITH US PARENT CO, KALAMAZOO SPICE EXTRACTION CO. ACTING LOCAL MANAGER REPORTED EPMG, ACTING THROUGH MINISTRY OF NATIONAL RESOURCE DEVELOPMENT (MNRD), HAS TAKEN ACTIVE INTEREST IN MANAGEMENT OF FIRM. LOCAL MANAGER REPORTEDLY MUST CONTACT MNRD OFFICIALS ON ANY MAJOR DECISION. WOULD SUGGEST DEPT CONTACT KARL SANDELIN OF KALAMAZOO SPICE CO TO DETERMINE RESULTS OF DISCUSSIONS WITH LOCAL MANAGER AND EPMG OFFICIAL AND TO OBTAIN HIS VIEW ON EPMG INTERFERENCE IN MANAGEMENT OF FIRM.

5. AXUM AIR SERVICE ASSETS HAVE BEEN ASSIGNED TO ETHIOPIAN AIR LINE (EAL) WHICH HAS MERGED THEN INTO EAL'S LIGHT AIRCRAFT DIVISION. THE AMERICAN OWNER OF AXUM AIR, CLYDE ADAMS, HAS DEPARTED ETHIOPIA.

6. THUS, OUR JUDGEMENT IS THAT A "TAKING" HAS OCCURRED IN THE CASE OF AXUM AIR, THE FOUR FIRMS IN PARA 3 ABOVE HAVE PROBABLY NOT RPT NOT BEEN "TAKEN" IN A MANAGEMENT SENSE, AND ETHIOPIAN SPICE EXTRACTION CO IS IN-BETWEEN ALTHOUGH PROBABLY CLOSER TO THE "NOT TAKEN" CASE. THE FIRMS AND ALL OTHER OBSERVERS ARE STILL AWAITING CLARIFICATION OF EPMG POLICY ON MANAGEMENT, COMPENSATION AND OTHER ASPECTS OF NATIONALIZATION. HUMMEL

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